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C O N F I D E N T I A L PRETORIA 000423

SIPDIS

E.O. 12958: DECL: 01/31/2015

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SUBJECT: SOUTH AFRICA: MONEY LAUNDERING AND CASINOS
(C-TN4-01119)

REF: STATE 255493

Classified By: Jeff Hartley, Minister Counselor for Economic Affairs,
for Reasons 1.4 (b), (c), and (d)

¶11. (U) Summary. Although the gambling industry comprises a small portion of its GDP, South Africa has a relatively large gambling industry in global terms. South Africa operates an advanced system of casino regulation over its 32 casinos. The National Gambling Board conducts continual inspections of casinos and coordinates with local and international authorities on suspicious activity. South African casinos are subject to the National Gambling Act and Financial Intelligence Centre Act (FICA) legislation. Post is not aware of any notable criminal activity involving casinos. Small prosecutions have occurred in cases of illegal casino operation and when criminals have gambled with stolen stained notes in exchange for clean money. End summary.

¶12. (U) Given the size of its economy, South Africa has a relatively large gambling industry. South Africa ranked 14th on the list of countries based on land-based gross gambling turnover (i.e., revenue) in 2000. This gambling rank was 15 positions higher than its 29th place (2000) based on the size of its economy. On a local level, total gambling-related GDP only accounted for approximately 1% of South Africa's GDP in **¶12000**. Employment in this sector accounted for less than 1% of total employment.

¶13. (SBU) South Africa operates a sophisticated system of casino regulation. The National Gambling Board is the regulator that oversees the 32 casinos in South Africa. The National Gambling Act of 2004 brought uniform regulation standards across the country, and superceded the Act of 1996. Casinos operate extensive surveillance systems and National Gambling Board inspectors conduct unannounced and undercover visits to casinos. Most South African customers use Most Valued Guest (MVG) cards while gambling. These cards keep track of gambling patterns while offering customers benefits. Casinos closely monitor those who do not take advantage of the MVG card. Regardless of MVG card use, customers must provide personal identification when playing with more than R25,000 (approximately \$4,000) or betting at least R5,000 per round (approximately \$800).

¶14. (SBU) The Chief Inspector of the National Gambling Board, Mr. Themba Marasha, has completed training in Nevada and coordinates with local and international authorities on suspicious activity. Mr. Marasha maintains contacts with gaming officials in Nevada and Mississippi and sits on South Africa's Money Laundering Advisory Council, which is comprised of various government agencies working to combat money laundering. He also heads the Africa Forum, which seeks to improve training and regulation across Africa.

¶15. (U) Under the Financial Intelligence Centre Act of 2001, casino employees and owners are required to submit suspicious transaction reports (STRs) directly to the Financial Intelligence Centre (FIC) when suspicious activity is noted. The 156 STRs from casinos comprised only 2% of the FIC's total recorded 7,480 STRs for the year ended March 2004. Post is not aware of any notable STRs involving casinos.

¶16. (SBU) Money laundering in South African casinos primarily occurs in the form of customers cleaning stained money. When bills are stolen in cash canisters, they are often stained with dye if the canisters are not opened properly. Casino customers try to gamble with the stained bills in unmanned machines or tables and receive clean bills in exchange. According to Mr. Marasha, these cases have resulted in a few "small time" prosecutions.

¶17. (U) South Africa also conducts raids of illegal casinos. During fiscal year 2004, 771 casino raids occurred. The raids confiscated over 3,500 gambling machines and 9 gambling tables. Case convictions involving illegal gambling totaled 45, with nearly all of them occurring in the Limpopo province. These illegal casino operations did not appear to have any impact on South Africa's financial and judicial systems and post is not familiar with any notable ongoing investigations or prosecutions involving casinos.

¶18. (C) Post is not aware of any confirmed links between organized crime, human trafficking, or narcotics trafficking and South African casinos. However, Mr. Marasha did mention

a few problems with Chinese card counting syndicates and did not rule out the possibility of drug traffickers' involvement with casinos.

FRAZER